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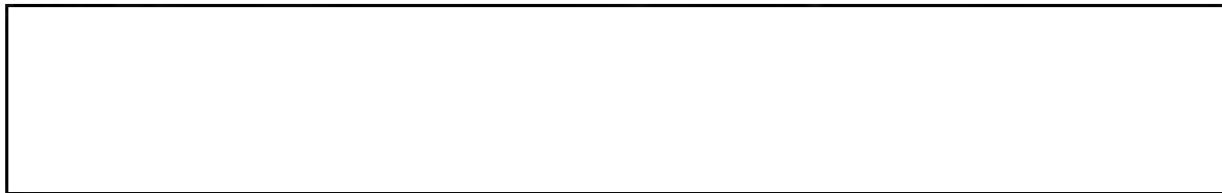
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SOUTHEAST ASIA

1. Vietnamese opportunists reported rallying to Diem government:

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Prominent Vietnamese politicians in and out of the government and many army officers are now taking steps to demonstrate their support for the Diem gov-

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ernment. The Cao Dai sect, whose support of the government has been largely nominal, and the Binh Xuyen gangster organization, previously in opposition, are now reported to be stressing co-operation.

Diem is said to be on the point of naming his protégé General Le Van Ty to fill the vacated post of chief of staff and he intends further to reduce former chief of staff General Hinh's influence within the general staff by transferring his closest associates.

Comment: Much of the "support" Diem is gathering is of a highly opportunistic sort and could be easily dissipated.

The recent arrest of a Cao Dai officer by the military authorities and reports of continuing friction between the army high command and violently pro-Diem army elements in southern Annam illustrate the problems Diem faces in reconciling the southern Vietnam factions.

2. French negotiations with Viet Minh in Hanoi involve strategic materials:

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The French-owned Hanoi Tramway Company has reached a stage in its negotiations with the Viet Minh where further progress depends on a French guarantee of a monthly supply of gasoline for the company's busses and an initial shipment of six months' supply of lubricants, an aide to Jean Sainteny, French delegate in Hanoi, has told the American consul. The negotiators are trying to work out terms on which the company can continue to operate its busses and street-cars.


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The consul has the impression Sainteny is pushing this deal "rather more than" the tramway company. The French delegate is seeking assistance from the British and American consuls to obtain COCOM authorization for importing the necessary quantities of the strategic materials involved. The British consul is inclined to recommend waiving trade controls in this case in order to "strengthen" the position of the British and American consulates vis-a-vis the Viet Minh.

Comment: It has generally been the French government, rather than the business interest involved, which has taken the initiative in efforts to prolong France's economic "presence" in Tonkin. The American consul has noted Sainteny's strong sense of mission in this respect. The Viet Minh has shown little responsiveness to these efforts and has already assumed complete control of the electric company, waterworks, and railway administration. (Concurred in by ORR)

3. New Laotian premier plans meeting with Viet Minh-sponsored rebels:

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 Katay Sasorith, the new Laotian prime minister, intends to invite leaders of the Viet Minh-sponsored Pathet Lao to confer with him in Vientiane next week, according to Phoui Sananikone, the foreign minister. Phoui doubts that the invitation will be accepted unless the Pathet Lao leaders are offered positions in the government.

The foreign minister points out that at Geneva he successfully resisted Pathet Lao pressure to create a coalition government. He added, however, that Katay and several other officials of the Laotian government continue to believe that the Pathet Lao leaders are "not really Communists."

Comment: Katay, despite his naive view of the Pathet Lao leaders, is an anti-Communist of long standing. He evidently hopes to split the Pathet Lao away from the Viet Minh through negotiations, although he is not known to have made any definite commitment to bring them into the government.

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Katay can expect the support of the International Control Commission in favoring negotiations in view of the commission's formal resolution that "representatives of the royal government and of the Pathet Lao examine together means to attain a political settlement."

NEAR EAST - AFRICA

4. Syria shelters exiled Egyptian Moslem Brotherhood leaders:

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The Syrian government has refused Egypt's request for the extradition of several exiled leaders of the Egyptian Moslem Brotherhood, [redacted]

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Syria is providing housing for the exiled Egyptians and is giving them freedom to mobilize opposition to the policies of Prime Minister Nasr of Egypt and Nuri Said of Iraq.

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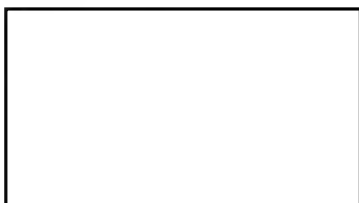


Comment: The activity of the Brotherhood leaders in Syria threatens both the security of the Nasr regime in Egypt and the stability of the weak Syrian coalition government.

Damascus is now caught between the Moslem Brotherhood, which it normally appeases, and the Egyptian government, which it fears to offend. This situation is made to order for the extremists--the Brotherhood, the Communists and the radical Arab Socialists--who have been enjoying unusual freedom since the overthrow of Shishakli last February.

5. Comment on Arab efforts to establish Jordanian capital in Jerusalem:

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A move has developed in the Arab states to transfer the Jordanian government from Amman to the Old City of Jerusalem as a counter to Israel's establishment of its capital in the New City.

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[REDACTED] The current campaign was touched off in early November when the new British and American ambassadors to Israel presented their credentials to President Ben Zvi in Jerusalem. The Arabs strongly object to what they consider to be Anglo-American recognition of Jerusalem as the Israeli capital and thus a blow to the 1949 UN resolution for internationalization of the city.

The present efforts of the Arabs--which run counter to their previous support for internationalization--offer Jordan the opportunity to strengthen its de facto claim to Old Jerusalem.

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[REDACTED]

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EASTERN EUROPE

6. Yugoslav diplomat analyzes Orbit overtures:

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[REDACTED] The Yugoslav chargé in Warsaw has informed the American embassy that top Polish officials requested invitations to attend the Yugoslav Republic Day reception after the chargé invited only officials of his own rank.

The chargé said the current Orbit courtship of Yugoslavia serves among other things to "demonstrate" to the Orbit people that Tito realizes the error of his ways and desires to return to the fold. He added that the ultimate purpose of these approaches is to sow distrust among Yugoslavia's friends and thereby split the Balkan Pact.

Comment: Moscow's recently intensified campaign toward Yugoslavia appears to have the immediate objectives of creating the impression that the present Soviet regime's coexistence theme is sincere and of encouraging neutralism, while also causing distrust of Tito in Western governments.

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Moscow has been making amicable gestures toward many countries as part of a campaign to correct what it considers mistakes on Stalin's part. The Kremlin has devoted special attention to governments which by disposition or situation incline toward neutral foreign policies, and to adjacent countries whose fear of Soviet aggression has provided them with a strong motive for co-operating with the United States.

Moscow has also clearly indicated that Tito's "heresy" is no longer to be considered an issue between Yugoslavia and the Orbit. This suggests that the USSR is preparing the ground for the day, perhaps after Tito's death, when it could attempt to bring a "properly oriented" Yugoslav regime back into the Soviet world. The present attitudes of Yugoslav leaders and the more immediate objectives of the Soviet coexistence theme, however, make it unlikely that either side has any expectations of a reconciliation at this time.

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WESTERN EUROPE

7. Comment on West Berlin elections:

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Although the Social Democrats won a one-seat majority in the West Berlin legislature in the 5 December elections, present indications are that they will form a two-party coalition with Chancellor Adenauer's Christian Democratic Union, which showed a marked gain in popular appeal. Such a coalition, which leaders of both parties are said to expect, would assure the continuation of moderate economic and social policies and general support for Adenauer on foreign policy.

The Social Democrats won 44 percent of the vote, approximately what they won in the last city elections in 1950. The Christian Democrats upped their percentage from 24.6 to 30, while their coalition partners, the Free Democrats, dropped from 23.0 to 12.7. The extreme rightist German Party showed a gain and narrowly missed polling the five percent necessary to gain representation in the city legislature. The Socialist Unity (Communist) Party won only 2.7 percent, somewhat less than had been expected.

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